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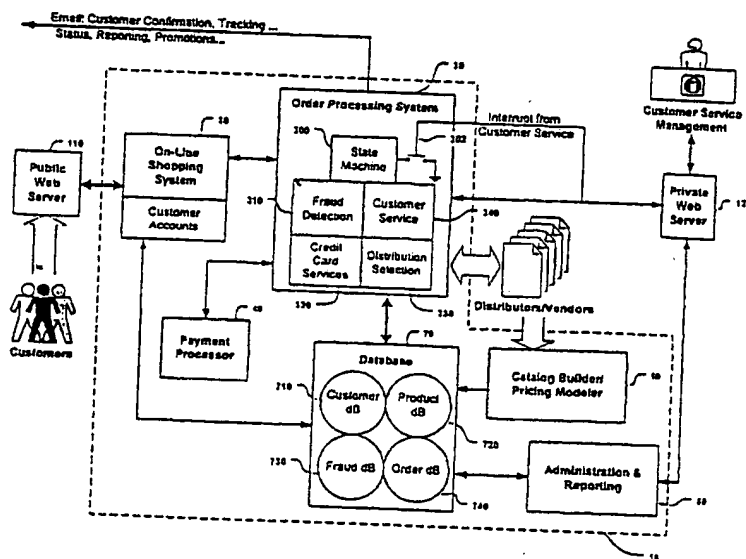
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(57) Abstract

An Internet business transaction processor of the present invention has a distributed processing architecture which allows the processing load to be distributed among multiple parallel servers. The transaction processor of the present invention provides a virtual store front utilizing "other people's warehouse" approach by using a dynamic distributor selection processing system to select among a plurality of distributors based on flexible rule-based algorithm. Furthermore, a multi-level fraud check processing system allows orders to be processed that would otherwise be discarded to generate a higher yield in sales.

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TITLE OF THE INVENTION

**Dynamic Selection of Multiple Distributors**

FIELD OF INVENTION

The present invention relates to business  
5 transactions conducted over the Internet and in  
particular to a transaction processor to conducting the  
same capable of performing dynamic selection of a  
distributor among a plurality of distributors based on  
dynamic selection criteria.

10. BACKGROUND OF THE INVENTION

Traditionally, commodities such as computer related  
products, for example, have been sold primarily through  
retail stores and catalogs and, more recently, through  
telephone sales supported by infomercials and other print  
15 and media advertising. However these traditional models  
for selling computer related products suffer significant  
disadvantages.

Store-based retailers have limited shelf space due  
to costly inventory and real estate investment  
20 considerations. This limits the number of products store-  
based retailers can offer to their customers. Also, the  
personnel required to operate stores are expensive and  
can be difficult to hire and train. The physical store's  
need for personnel also limits the flexibility and  
25 efficiency of the sales process. The number of customers  
that can be served and the quality of service is  
dependent on the number of personnel dedicated to the  
sales process.

Store-based retailers also face the financial risk  
30 of carrying inventory that may quickly become obsolete.  
Physical possession of inventory also limits the speed at  
which these retailers can change their merchandise mix  
and offer new products. This is because a store must

physically obtain, set up and display the products. Physical stores also can only serve customers in a limited geographic area because the customers must travel to the store to shop. To extend this limited reach, new stores must be opened in different geographic locations. However, the time required and the significant investments in inventory, real estate and personnel required at each new location, make it difficult to expand quickly into new geographic regions.

10 Catalog-based (e.g., mail-order) retailing provides only a partial solution to the disadvantages of store-based retailing. Catalogs do provide customers with the convenience of shopping from home or the office at flexible times. However, catalog merchandising is costly and wasteful because paper, printing, and postage are increasingly expensive and a large percentage of people to whom catalogs are sent will not use them. Also, the number of products catalogs can feature and the product information they can provide are limited due to catalog mailing, printing and other related expenses.

20 Catalogs are also very inflexible and provide only limited accessibility. In order to change products or prices, the catalog must be reprinted and redistributed which is both costly and time consuming. Furthermore, catalogs' accessibility is limited in that they are available only to those people to whom they are sent. Also, the catalog shopping experience is, in general, neither interactive nor personalized, yet requires extensive personnel support and manual intervention on behalf of the retailer to take and process orders.

30 The more recent advent of the combination of infomercials and other advertising supporting telephone sales also provides only a partial solution. The ability

to order by phone provides the same inconvenience that the catalog does. However, infomercial and other advertising is extremely expensive. They are also limited in their geographic scope. Typical media outlets serve only a relatively small geographic area. To expand the geographic scope of advertising, additional media outlets in different locations must be used. This greatly increases expenses. Advertising is also limited in duration. Expense increases drastically upon extending the term of the advertising.

The advertisements and infomercials that describe the products are also limited in the scope of products they can cover. The expense limits the size of print advertising and the duration of radio and television advertising. These limitations restrict the number of products that can be covered. They also restrict the amount of information that can be provided for the products.

Recently, the Internet has emerged as a powerful new global communications and commerce medium that represents a radical new way for people to share information and conduct business electronically. Though the Internet has been well known for several years, it has been mainly used for research and as an educational medium. Hence people were initially slow to adopt it as a common means of conducting retail commerce. However, with technology advancing such that personal computers are now an affordable commodity for the average household, more and more personal computers are being acquired for home usage. In conjunction with increased computer awareness and usage, affordability and ease of accessibility to the Internet from an average household has given birth to a

new type of commercial medium referred to as Electronic Commerce (i.e., E-Commerce).

5 The increasing functionality, accessibility and overall usage of the Internet have made it an attractive commercial medium that can offer solutions to many of the shortcomings of the traditional retail models. For instance, the Internet has radically changed the relationship between customers. Online retailers can, from a single remote computer, interact directly and simultaneously with customers across the globe.

10 The Internet also eliminates the traditional retail models' limited availability and barriers to expansion. On the Internet, a store is accessible throughout the world around the clock. The limitations associated with printed catalogs are eliminated as well. There is no incremental cost associated with making Internet content available to people who will not use it. Internet also provides easy adaptability to changing market conditions and allowing an interactive, customizable retail experience.

20 Online retailers can respond more rapidly to customer demand by frequently modifying their product offerings, shopping interfaces and pricing, simply by modifying their Web site. Additionally, the Internet improves on the limited amount of information that can be conveyed in the catalog and advertising/telephone sales models of retail sales. Web sites are inexpensive relative to the number of potential customers they reach, allowing much more information can be provided on a Web site than in any advertisement.

30 However, even with the advantages that is associated with the usage of the Internet as a commercial medium, there are still drawbacks in the currently existing E-

Commerce retail businesses. In particular, most E-Commerce retail businesses mainly use the Internet and Web pages as an advertising medium to replace the previous catalog/infomercial type advertisements.

5 Although some of the businesses have begun accepting product orders online via email or Web pages, the current E-Commerce businesses for the most part have adopted a hybrid business model in which the traditional business models are coupled with E-Commerce business practices.

10 For instance, the usage of the Internet has replaced a few of the traditional business practices such as advertising and order processing, but most of the so-called E-Commerce retail businesses of the prior art still operate by maintaining an inventory. That is to  
15 say, the current online businesses still maintain inventories in warehouses that store the merchandise to be sold. As described above, the costs associated with such business practices are high, especially in the computer related products market where their relatively  
20 short life cycle and the rapid adoption of new technologies and products make the traditional inventory store and catalog sales models particularly problematic. If the computer products are not sold in a relatively short period of time, the unsold merchandise will become  
25 obsolete due to the fast pace in which technology is evolving.

#### SUMMARY OF THE INVENTION

It is the object of the present invention to meet the above-identified needs and others. Specifically, the  
30 present invention provides an Internet based E-Commerce business transaction processor that overcome the disadvantages of the prior art systems by creating a virtual store front having "other people's warehouse"



approach to avoid maintaining physical stores and operating warehouses while maintaining such practices transparent to the customer.

5 The business transaction processor of the present invention has a modular design comprising a plurality of distributed transaction processing systems, allowing the processing load to be distributed among multiple parallel servers thereby providing faster processing of transactions while providing expandability for future  
10 growth.

The business transaction processor of the present invention interacts with multiple distributors thereby providing a larger selection of products with higher availability with aggressively competitive pricing all  
15 the while maintaining gross company margins.

The business transaction processor of the present invention utilizes multi-level fraud checking system that incorporates propriety as well as commercially available fraud checking system thereby providing a higher level of  
20 risk management while providing a fraud check system that is not exclusively dependent on commercially available services.

The business transaction processor of the present invention is fully automated including automatic  
25 generation of an electronic catalog, competitive pricing engine based on flexible rule-based algorithms, and automatic feedback to the customer.

Additional objects, advantages and novel features of the invention will be set forth in the description which  
30 follows or may be learned by those skilled in the art through reading these materials or practicing the invention. The objects and advantages of the invention

may be achieved through the means recited in the attached claims.

#### BRIEF DESCRIPTION OF THE DRAWINGS

The accompanying drawings illustrate the present invention and are a part of the specification. Together with the following description, the drawings demonstrate and explain the principles of the present invention.

Figure 1 is a block diagram showing the overall system of the present invention.

Figure 2 is a state diagram of the order processing of the present invention.

Figure 3 is a flow diagram showing the fraud processing according to the present invention.

Figure 4 is a flow diagram showing the distributor selection processing according to the present invention.

Figure 5 is a block diagram showing the distributor selection logic according to the present invention.

Figure 6 is a flow diagram showing the distributor selection logic sequence according to the present invention.

#### DETAILED DESCRIPTION OF THE INVENTION

Using the drawings, the preferred embodiments of the present invention will now be explained. As shown in Figure 1, the Internet business transaction processor 10 of the present invention has a distributed processing design allowing the processing load to be distributed among multiple parallel servers. The Internet business transaction processor according to the present invention is comprised of an Online Shopping System 20, Order Processing System 30, Payment Processing System 40, Catalog Builder/Price Modeler 50, and Administration System 60. The transaction processor 10 of the present invention also includes a main database 70 comprised of a

Customer Database 710, Products Database 720, Fraud Database 730, and Order Database 740.

According to the present invention, a customer accesses the Online Shopping System 20 via a public Web server 110 to obtain product information available for purchases, set up a customer account, check order status, etc. The Order Processing System 30 receives the product order requests and processes the orders to check for availability with multiple distributors, orders the products based on pricing information, performs credit card validations, etc. The Payment Processing System 40 processes the method of payment once the orders have been properly processed. The Catalog Builder/Price Modeler 50 builds information of the products offered by the distributors to be made available by the Online Shopping System 20 to the customer as well as the prices at which these products will be offered based on a pricing model to be described in detail below. Customer service representatives and managers have access to all of the information in the database via the Administration System 60 through a dedicated secure Web server 120 available only to authorized personnel. The Administration System 60 is used to produce reports of sales, reconcile order discrepancies, manually adjust prices, approve credit, etc. Functionality of each of the sub-systems will now be explained in detail.

#### Online Shopping System

The Online Shopping System 20 is the main interface between the customer and the E-Commerce business and is primarily responsible for providing the overall online shopping experience to the customer. The Online Shopping System 20 of the present invention provides an electronic catalog of available products stored in the Products

Database 720 along with the price of the product. This information is generated by the Catalog Builder/Price Modeler 50 to be described in detail below.

5 The electronic catalog is a Web page, for example, that dynamically displays product information from the Products Database 720. Consequently, the electronic catalog is always up to date with the most recent product information and does not suffer from the same shortcomings as that of the prior art cataloging systems. 10 Furthermore, because each product is displayed as a dynamic variable, a new catalog does not have to be generated every time the Product Database 70 is updated. Only the updated product information will be changed in the catalog.

15 In conjunction with the electronic catalog, the Online Shopping System 20 provides an electronic shopping cart that keeps record of each item marked to be purchased by the customer and provides a finalized shopping list and the total amount purchased at the end 20 of a shopping session which may include appropriate taxes and shipping/handling charges. The Online Shopping System 20 is also used to create customer accounts with such information as customer name, billing address, telephone number, email address, etc. and this 25 information is stored in the Customer Database 710. Such information is used by the transaction processor 10 for billing, order notification, promotional/incentive distribution, etc. A customer may also access the Online Shopping System 20 to track the status of previous orders 30 and returned merchandise, send inquiries to Customer Service, etc. Furthermore, customer accounts can be used to generate customized portfolios based on purchase patterns of individuals to provide targeted advertising,

purchase incentives such as electronic coupons and rebates, specialized promotions and competitive pricing of high demand products.

Catalog Builder/Price Modeler

5           As described generally above, the Catalog  
Builder/Price Modeler 50 builds the Products Database 720  
with available products from the distributors as well as  
the sales price for each product. With regard to the  
catalog generation, the Catalog Builder/Price Modeler 50  
10 receives product information from multiple distributors.  
The product information includes but are not limited to  
product description, quantity available, and price for  
the product.

          Access to the product information from the  
15 distributors may be accomplished by Telnet, FTP (File  
Transfer Protocol), industry standard EDI (Electronic  
Data Interchange), or any other appropriate communication  
protocol including specialized client/server software  
provided by the distributors.

20           Downloading of the product information from the  
distributors is scheduled to run automatically by the  
Catalog Builder/Price Modeler 50 so that no human  
interaction is necessary unless it is desired to do so.  
The product information is preferably updated continually  
25 throughout the day as updated product information becomes  
available from the distributors or based on other  
preselected triggers. For example, all the distributor  
data may be updated during certain times of the day.  
Data for some selected distributors may be updated hourly  
30 while product data of others may be updated every time  
the web page is viewed for that product or after the  
product is ordered. As the communications technology  
becomes more advanced, it may be possible to maintain a

continuous connection to the distributors' network thereby obtaining real-time status of each product offered by the distributor.

For other suppliers of products that may not have such communication capabilities or does not make economic sense to provide such continuous update of product information, an alternative system may be provided for updating/accessing product information. For instance, small distributors or individual vendors may operate through a secure web site to update their product information, receive order information from the transaction processor of the present invention, and provide shipping/tracking information of their products from their companies.

Once the product information from each of the distributors is collected, the Catalog Builder/Price Modeler 50 sorts the product information to generate the electronic catalog. The Catalog Builder/Price Modeler 50 of the present invention generates multiple catalogs from the same system and allows the Online Shopping System 20 to dynamically display user specific interfaces. The Catalog Builder/Price Modeler 50 generates catalogs with different visual presentations (e.g., color, fonts, graphics, advertising, etc.) and product offerings depending on the user accessing the Online Shopping System 20 based on the user-specific information via criteria-specific templates.

For example, when a student accesses the Online Shopping System 20 of the present invention as a potential customer, the Online Shopping System 20 displays a catalog of mixed products appropriate for students with academic pricing. Alternatively, a business person who accesses the Online Shopping System

20 of the present invention may see a catalog of products appropriate for his or her business with available corporate discounts for that product. This way, a single system is maintained that looks and functions like many  
5 different catalog shopping systems.

The pricing model used by the Catalog Builder/Price Modeler 50 of the present invention is an intelligent rule-based algorithm such as an AI (i.e., Artificial Intelligence) program generates a competitive price for a  
10 product based on price of the product offered from the distributors, any specials that are being promoted for the product, and cost/profit margins from the sale of the product to the customer. Simply stated, the price of the product is a function of the profit margin. Default  
15 margins are set in the rule-based programming of the pricing model, but due to its adaptability the Catalog Builder/Price Modeler 50 may automatically adjust the margins based on the rules of the pricing model and the pricing information obtained from the distributors.  
20 Further, the rules of the pricing model and setting of margins may be manually modified using the Administration System 60 to be explained in detail below.

The Catalog Builder/Price Modeler 50 of the present invention uses a plurality of margins to determine the  
25 sales price of a product depending on which category the product is in. For instance, the margin for the products in the first category may be set to 10% + cost since this is a category of products that the customer would most likely buy even though the price may be a little bit  
30 high. On the other hand, the margin for the products in the second category may be set to 2.5% + cost in order to provide a competitive price for high demand products. Further, the margin for the products in the third

category may be set to 0% + cost due to promotionals of discontinued products, for example.

The Catalog Builder/Price Modeler 50 may be used to obtain initial sale prices of the products to be listed in the electronic catalog. Furthermore, the Catalog Builder/Price Modeler 50 may also adjust the pricing dynamically based on other system data that may change throughout the day. For example, the price may be adjusted based on the amount of web site traffic, sales for a particular vendor, category, or SKU, and even the time of day. Subsequently, the Catalog Builder/Price Modeler 50 may be used in conjunction with the Order Processing System 30 to be described in detail hereinafter to select a distributor to fill the order for a selected product using real-time data at the time of purchase. In this way, prices of the products in the electronic catalog can be dynamically changed based on the current market for these products.

#### Order Processing System

The Order Processing System 30 of the present invention processes the orders passed from the Online Shopping System 20. The Order Processing System 30 of the present invention is comprised of four basic sub-systems: Fraud Detection 310, Credit Card Services 320, Distributor Selection 330, and Customer Service 340. The overall functionality of the Order Processing System 30 is described hereinafter.

When an order for a selected product is received, the Order Processing System 30 first determines whether the order is a valid order by the Fraud Detection sub-system 310. If the order is valid, then the order is sent to the Distributor Selection sub-system 330 to determine firstly if the product ordered is available and



secondly from which distributor the product will be supplied. Once a distributor is chosen the order is fulfilled with the distributor. After confirmation of product shipment, the order is sent to the Payment  
5 Processing System 40 via the Credit Card Services sub-system 320 to charge the customer's credit card for the purchase. The Customer Service sub-system 340 monitors each of the ordering processes and can intervene anywhere in the process if warranted.

10 Moreover, the Order Processing System 30 of the present invention is driven as a state machine 300. As such, a purchase order during processing enters predetermined states as shown in Figure 2. Interrupt switch 302 is operable to interrupt state machine 300 to  
15 facilitate selective tracking of an order during processing to determine the status of any purchase order during processing. The intervention of the state machine 300 also allows the ability to force an order into a particular state or manually set certain flags by hand.  
20 As such, the state machine 300 of the present invention allows enhancements to the state diagram for manageable changes to the Order Processing System 30. Additions or deletions of new states, arcs, and conditions change the paths an order takes through the order processing  
25 operation. As will be hereinafter more fully explained, a purchase order during processing under control of state machine 300 can only come to rest at a predetermined number of processing stations or states (e.g., H, M, N, O, X, etc.) as shown in Figure 2.

30 Each block represents a state in which a purchase order being processed by the Order Processing System 30 can occupy. According to the present invention, a purchase order being processed by the Order Processing

System 30 must move from one state to the other except in the states indicated in bold, e.g., states (H), (M), (N), (O), (X), and (W). These are the only states according to the present invention in which a purchase order can be at rest at a final destination. All other states are transient and the order will eventually move to the next state, or eventually flagged with an error condition which triggers an alarm to customer service indicating an abnormality in the order processing. For example, an order that has been placed for a product in stock but never shows up as being shipped (i.e., stuck in the "in-stock" state) times out after a predetermined time period and is flagged as an error.

With the Order Processing System 30 of the present invention functioning as a state machine as described above, a purchase order can only be in predetermined states at any given time thereby facilitating ease of tracking of the status of an order.

A detailed description of each of the sub-systems is provided hereinafter.

#### Multi-Level Fraud Detection

The Fraud Detection sub-system 310 of the present invention is a multi-level fraud checking system used to determine if an order is a valid order. As shown in Figure 1, when an order is passed from the Online Shopping System 20, the Order Processing System 30 receives the order information such as credit card information, billing address, shipping address, quantity of selected products, sales prices of the products, etc. This order information is initially passed through the Fraud Detection sub-system 310.

The Fraud Detection sub-system 310 initially performs a data integrity check on the order information

for completeness such as billing address information, shipping address information, and method of payment. For credit card purchases, the credit card information is checked to verify that the credit card is not yet  
5 expired. If the data integrity check fails on the order, the customer is notified of the incomplete portions of the order for correction. Once the order passes the data integrity check, the order then proceeds to a gross fraud check.

10 Gross fraud check involves searching the Fraud Database 730 internal to the transaction processor 10 of the present invention for history of bad credit by the customer submitting the order. The gross fraud check of the present invention acts as an initial filter for  
15 rejecting obvious fraudulent orders such as orders from "black-listed" customers in the Fraud Database 730 with previous histories of bad credit, orders from countries other than the United States under economic crisis, etc. If an order fails the gross fraud check, the order is  
20 passed to Customer Service 340 and the customer is immediately notified of the reasons why the order cannot be processed. If, on the other hand, the order passes the gross fraud check, the order is then checked for credit card authorization from a financial institution,  
25 such as a commercially available fraud check service.

Based on the information received from the financial institution, a fraud level score, for example, is generated. The fraud level score is a grading system that indicates the level of risk the order will pose to  
30 the business by processing the order. The score is then compared with a predetermined threshold or a plurality of thresholds. Each threshold serves as a trigger to invoke other fraud rule based checks to be performed in

conjunction with the score to determine the total status of the failed orders. This allows the failed order to be characterized by several types of failures given a total overall score. If the order passes the fraud checks, it is sent for finalized order processing. If, however, the order does not pass muster under the fraud checks, it is sent into a sorting bin. The sorting bin of the present invention acts as a buffer to minimize discarded orders. According to the present invention, a dynamic sorting procedure is performed on the rejected orders stored in the sorting bin.

The failed orders in the sorting bin are analyzed for reasons why the fraud level score was so high. Failed orders are analyzed for previous purchases by the customer, whether the customer is an account holder, etc. and sorted between high risk and low risk orders. For instance, orders from repeat customers who otherwise have a good history of previous purchases, for example, are low risk orders even though the fraud score is high and orders from customers who have no previous purchase history pose a high risk on defaulting on payments. Subsequently, the sorted orders are either sent to Customer Service 340 to be altered and resubmitted for validation or stored in a list of bad names in the Fraud Database 730 to be used in the gross fraud check of subsequent orders.

Alternatively, if there are generally a high number of failed orders in the sorting bin preventing sales of products, the fraud scores are analyzed and the threshold is dynamically modified to reduce the number of orders being rejected by the Order Processing system 30. By incorporating multi-level fraud checking system in the manner of the present invention, orders that would

otherwise be lost can be recovered thereby increasing business transactions.

#### Distributor Selection

Once an order has been checked for fraud and passes  
5 as a valid order, the products in the order are checked  
by the Distributor Selection sub-system 330 to determine  
which distributor will be used to fill the order. The  
selection of a distributor may be determined by several  
different methods.  
10 Preferably, as shown in Figure 4, when an order is  
received by the Distributor Selection sub-system 330, the  
product information such as the product SKU (i.e., Stock-  
Keeping Unit) number and quantity is determined from the  
order and sent to the data input 331. This information  
15 is then sent to each of the distributors and the  
distributors are polled for availability, quantity  
available by the distributor, and the current price for  
the product, for example. The information received from  
each of the distributors are then used by the distributor  
20 selection logic 332 to determine which distributor will  
fill the order. When more than one distributor can fill  
the order, the product information from each of the  
available distributors is processed by the distribution  
logic 332 based on the rule-based algorithm similar to  
25 the Catalog Builder/Price Modeler 50 to determine which  
distributor will be able to best fill the order.

Figures 5 and 6 show an example of the logic blocks  
that make up the distributor selection logic and the  
logic sequence, respectively. The sequence of the logic  
30 as shown in Figures 5 and 6 are for illustrative purposes  
only. It would be within the scope of one with ordinary  
skill in the art to vary the logic order to thereby vary  
the priority of the selection criteria used in selecting

the desired distributor. The product information from the authorized order is input into the product data input 331. The ordered product is then compared in the inventory comparator 333 to determine which of the distributors have the ordered product in stock. If none of the distributors have the product in stock, the customer is advised of the back order of the product. The result of the inventory check is then sent to the price comparator 334. If only one distributor has the ordered product in stock, then the result is cascaded down until the selected distributor data 337 is submitted to the Order Processing System 30 to finish processing the order.

If more than one distributor has the ordered product in stock, the result is compared in the price comparator 334 based on a predetermined rule, such as to choose the distributor offering the lowest price. Again, if the result of the comparison returns only one distributor, then the result is cascaded down and the selected distributor data 337 is used by the Order Processing System 30 to finish processing the order. If more than one distributor has the same price, then the result is sent to the user defined rule-based logic section 336.

User defined rule-based logic section 336 uses user defined rules and algorithms to further narrow the choice of distributors to fill the order. For instance, selective rules and algorithms may be set to choose a distributor that would return the maximum amount of profit margin for the sale of the ordered product. This may include factors other than cost, such as free or different priced shipping charges from each distributor. It may be that one distributor charges a handling fee on orders less than \$500, for example, while another may

charge a flat fee regardless of the size of the order. Alternatively, the rules in the user-defined rule-based selection logic 336 may be set such that, for example, a distributor with a special contracting agreement is  
5 selected regardless of profit margin comparison results.

Once a distributor has been selected, the result is used by the Order Processing System 30 to finish the order processing such as authorizing the selected distributor to ship the product and to notify the  
10 customer of the shipping information, for example. In addition, as indicated in Figures 5 and 6, each of the comparators have a manual input line for receiving modifications to the rules and algorithms used in making the comparison. According to the present invention,  
15 customer service 340 may modify and/or override each of the parameters used in performing the distributor selection.

Alternatively, if the connection between some or all of the distributors cannot be established during an  
20 ordering processes, the product information stored in the Product Database 720 may be used instead of delaying the processing of the orders. As explained above, the products information is updated preferably continually throughout a business day. Therefore, even if a  
25 connection cannot be made at the time of the order, the product information is accurate enough to fill the order.

Once a distributor selection is made, the Distribution Selection sub-system 330 forwards the order electronically to the selected distributor to fill the  
30 order. The Distributor Selection sub-system 330 then receives verification from the distributor such as customer number, warehouse information, shipment date, invoice amount, shipping cost, tracking number, etc. and

stores the order information in the Order Database 740 to make it immediately available to the customer service and the customer's online account.

Credit Card Services

5       Credit Card Services sub-system 320 receives the orders forwarded to the distributor by the Distributor Selection sub-system 330 and forwards the total cost of the order to the Payment Processing System 40 to be charged to the customer's credit card. Alternatively, if  
10   a product has been returned, the Credit Card Services sub-system 320 processes the RMA (i.e., Returned Merchandise Authorization) and sends the request to the Payment Processing System 40 to refund the amount to the customer.

15   Customer Service

Customer Service sub-system 340 provides a feedback interface between the E-Commerce business using the transaction processor 10 of the present invention with the customers. Customer Service sub-system 340 allows  
20   the customer service representatives to access any part of the order processing being performed by the Order Processing System. Customer Service 340 provides the interface into the Order Processing System 30 by handling failed orders, sorted orders from failed orders, customer  
25   inquires to order/RMA status, and other customer service issues:

In particular, Customer Service sub-system 340 provides automated feedback to the customer. For instance, once an order has been properly processed, the  
30   Customer Service sub-system 340 will send an automated message to the customer with the order information such as customer number, shipment number, tracking number, etc. In cases where orders have failed during the



processing period, Customer Service sub-system 340 automatically generates notices to the customer and/or customer service relaying that the order has failed and provides further instructions on how to correct the problem. Additionally, Customer Service sub-system 340 may be programmed to send customers in the Customer Database 710 periodic newsletters, promotional offers, exclusive sales, coupons and incentive, etc. Moreover, this periodic feedback to the customer can be highly personalized based on the information stored in the Customer Database 710 such as the customer's buying patterns.

#### Payment Processing System

The Payment Processing System 40 receives order/RMA information from the Order Processing System 30 in conjunction with the payment method information. For credit card orders, the Payment Processing System 40 contacts the financial institution issuing the credit card and charges the account holder for purchases or credit the account for processed RMAs. For non-credit card orders, the Payment Processing System 40 may issue bills, receive CODs (i.e., cash-on-delivery) and checks, issue refunds, process wire-transfers, etc. Moreover, the present invention may also take advantage of online leases and loans, a relatively new service in the area of e-commerce.

With respect to the online loans, once a customer is finished shopping with the Online Shopping System 20 of the present invention, the customer applies electronically to a financial institution for a loan. When the loan has been approved, the financial institution sends a loan number and the loan balance limit to the Order Processing System 30. The Payment

Processor 40 then proceeds to use the loan number as a credit card number and finishes the transaction by drawing on the approved loan from the financial institution.

5       With regard to the online lease, once a customer is finished shopping, the customer applies for a lease from a financial institution. When the application is approved, the financial institution sends a lease number to the Order Processing System 30. The Payment Processor  
10   40 then proceeds to use the lease number as a credit card number and finishes the transaction drawing on the approved balance from the leasing institution. The purchase is then shipped directly to the customer, but as with all leases, the leasing institution owns the  
15   products.

#### Example of Ordering Online

The transaction processor 10 of the present invention will be described with specific embodiments to more clearly describe the functionality of the present  
20   invention. However, equivalent components and obvious modifications within the ability of one with ordinary skill in the art may be used without departing from the scope of the present invention.

The transaction processor 10 of the present  
25   invention is built on industry standard equipment including Sun UltraSparc servers, Solaris operating system, Apache Web servers, and Oracle databases. Preferably, each of the systems and sub-systems are installed on a dedicated server running in parallel in a  
30   distributed processing architecture.

A customer accesses the Online Shopping System 20 via the company's Web page through a public Web server 110, such as the customer's ISP (i.e., Internet Service

Provider). Once on the company's Web page, the customer is issued a unique identification number using various techniques such as using the customer's IP (i.e., Internet Protocol) address, IP host name, personal information, etc. so that others accessing the Online Shopping System 20 do not share each others' shopping information. The customer then browses/searches the Web site (i.e., electronic catalog) for a particular product. The customer selects the product or products and the Online Shopping System 20 places the selected products in an electronic shopping cart.

At the time of checkout, the customer is asked to create a customer account asking for personal information such as name, billing address, telephone number, email address, as well as some profile information (all of which may be optional) to generate a customer account. If the customer already has an account, then the account ID is used to identify the customer and the customer is prompted for their password.

Once a customer account has been established, the order is filled out for the products to be purchased including quantity, method of payment (the credit card number may be established in the customer account so that it does not have to be inputted every time), shipping address, and method of shipment. When the order is completed, the order is passed onto the Order Processing system 30.

The Fraud Detection sub-system 310 performs a data integrity check such as whether each of the required fields of the order form are filled out, checksum test of the credit card number, etc. If the order fails the integrity check, the customer is prompted with an error message requiring to resubmit the order with the

corrections. If the order passes the integrity check, then the order undergoes the gross fraud check.

The gross fraud check determines whether the customer has a history of defaulting on payments, whether  
5 the credit card number is a valid number, or is ordering from a "black-listed" location such as Romania or Russia. If the order fails the gross fraud check, the order is sent into a sorting bin. If the order passes the gross fraud check, the order is sent to a commercially  
10 available fraud checking service such as CyberSource®. CyberSource® processes the order information and returns a fraud score. The fraud score is then compared to a plurality of predetermined threshold that may be modified by customer service 340 and used in conjunction with  
15 other fraud rule based checks. If the order fails, it is placed into the sorting bin. If the order passes, it is sent to the Distributor Selection sub-system 330 for further processing.

As for the orders in the sort bin, the failed orders  
20 are sorted between high risk and low risk orders such as whether the order was from an account holder who has good credit history from past purchases, whether the fraud score was too high because the billing address did not match the address of the credit card, etc. The plausible  
25 orders are then forwarded to the Customer Service sub-system 340 from which the Customer service representatives either contact the customer to clarify the discrepancies or override the fraud checks and place them into the processing bin to be sent to the  
30 Distributor Selection sub-system 330 for further processing. The rest of the failed orders are placed in the Fraud Database 730.

The Distributor Selection sub-system 330 sends the product information (i.e., SKU and quantity) to each of the distributors such as independent pick, pack, and ship distributors and receives information on the products such as availability and cost. The Distributor Selection sub-system 330 forwards this information to the Catalog Builder/Price Modeler 50 and profit margins are calculated. The Distributor Selection sub-system 330 then selects the distributor with, for example, the highest margin or other selected criteria for particular products and forwards the order electronically. Once the distributor fills the order, the Customer Service sub-system 340 either receives or retrieves the order information such as the customer number, warehouse number, shipment date, shipment tracking information, invoice amounts, etc.

Customer Service sub-system 340 emails the customer within minutes after a valid order is received with a confirmation number. The Customer Service sub-system 340 emails the customer again when the order is shipped by the distributor or notifies the customer that the product is not available and has been placed on back order.

The preceding description has been presented only to illustrate and describe the invention. It is not intended to be exhaustive or to limit the invention to any precise form disclosed. Many modifications and variations are possible in light of the above teaching.

The preferred embodiment was chosen and described in order to best explain the principles of the invention and its practical application. The preceding description is intended to enable others skilled in the art to best utilize the invention in various embodiments and with various modifications as are suited to the particular use

contemplated. It is intended that the scope of the invention be defined by the following claims.

What is claimed is:

1. An improved internet-centric transaction processor for authorizing and facilitating retail sale of ones of a plurality of selected products to retail customers directly from a plurality of distributors of said products comprising:
  - a database for storing catalog-type product data for a plurality of selected products;
  - a communication interface for selectively permitting ones of said retail customers to selectively access said product data stored on said database;
  - an electronic order form for permitting said retail customers to place a purchase order for ones of said selected products;
  - an order processor for processing purchase orders for ones of said selected products, said order processor further including
    - a distribution selection processor for dynamically allocating a particular product order to one of said plurality of distributors which handle a particular product involved in said purchase order based upon predetermined selection criteria and authorizing a selected distributor to ship said ordered product to said retail customer; and
    - a payment processor for billing said retail customer for said ordered product authorized for shipment.
2. The improved transaction processor of claim 1, said distribution selection processor further includes
  - a comparator for comparing like types of product data for a plurality of distributors handling said like product to determine an optimum distributor selection based upon a plurality of selection criteria

including product price, availability, shipping date, shipping location or discount data.

3. The improved transaction processor of claim 1 further including means for modifying ones of said predetermined selection criteria.

4. An improved internet-centric electronic transaction method executable by a computer for facilitating retail sales of ones of a plurality of selected products to retail customers directly from a plurality of distributors of said products comprising the steps of:

generating catalog-type product data for said products in a selectively addressable database,

permitting ones of said retail customers to selectively access said product data stored in said database and allowing said retail customers to submit product orders of said selected products;

processing said purchase orders from ones of said retail customers by selecting one of said plurality of distributors to sell said selected product based upon a plurality of predetermined distributor product selection criteria;

authorizing said selected distributor to ship said ordered product to a retail customer in a manner which is transparent to said retail customer;

authorizing said purchase orders based upon a credit worthiness check of information supplied by said retail customer in connection with said purchase order; and

billing said retail customer for said ordered product when said distributor has been authorized to ship such ordered product to said retail customer.



5. The improved internet-centric electronic transaction method of claim 4 further including the step of periodically modifying ones of said predetermined selection criteria.

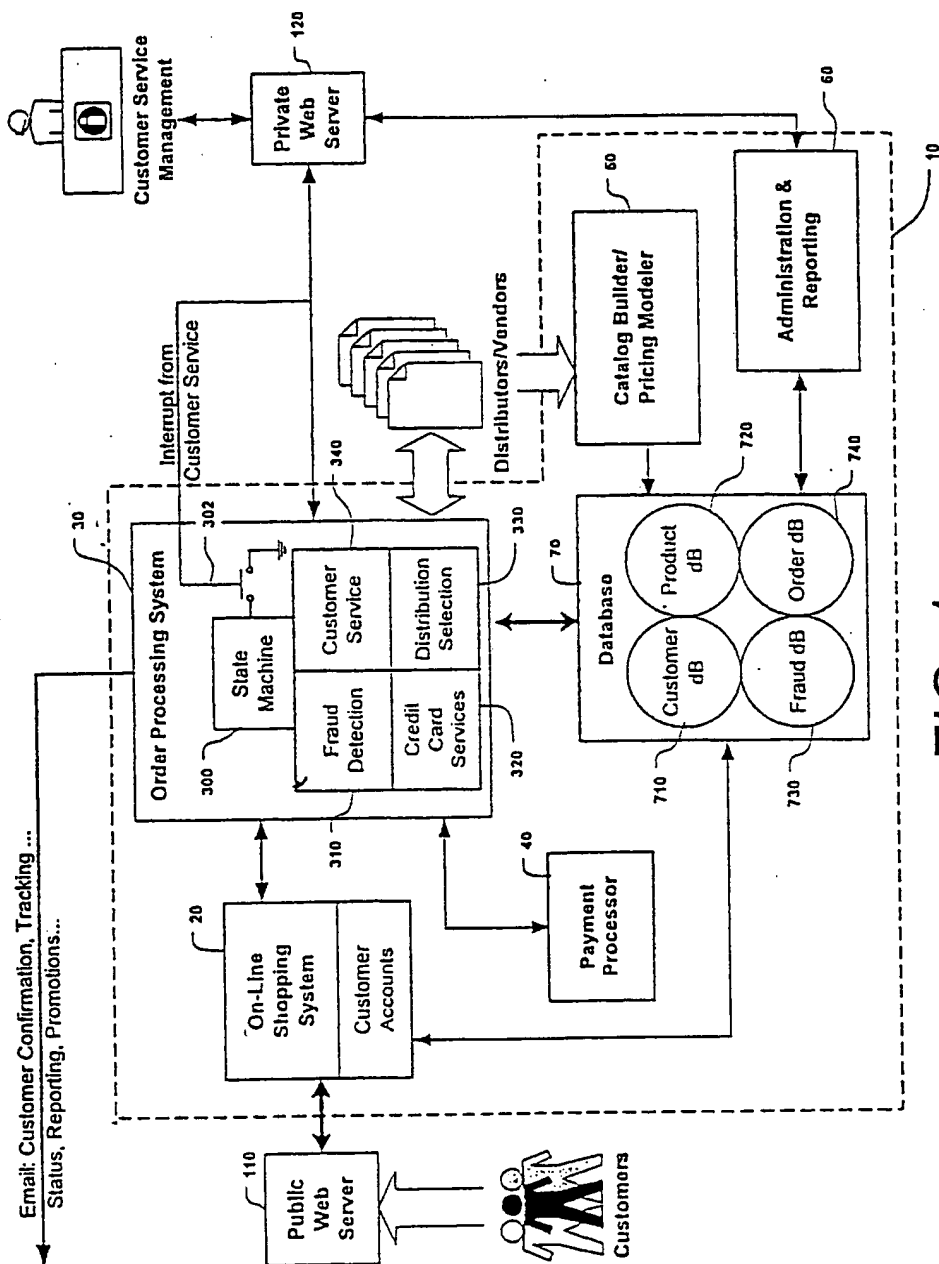


FIG. 1

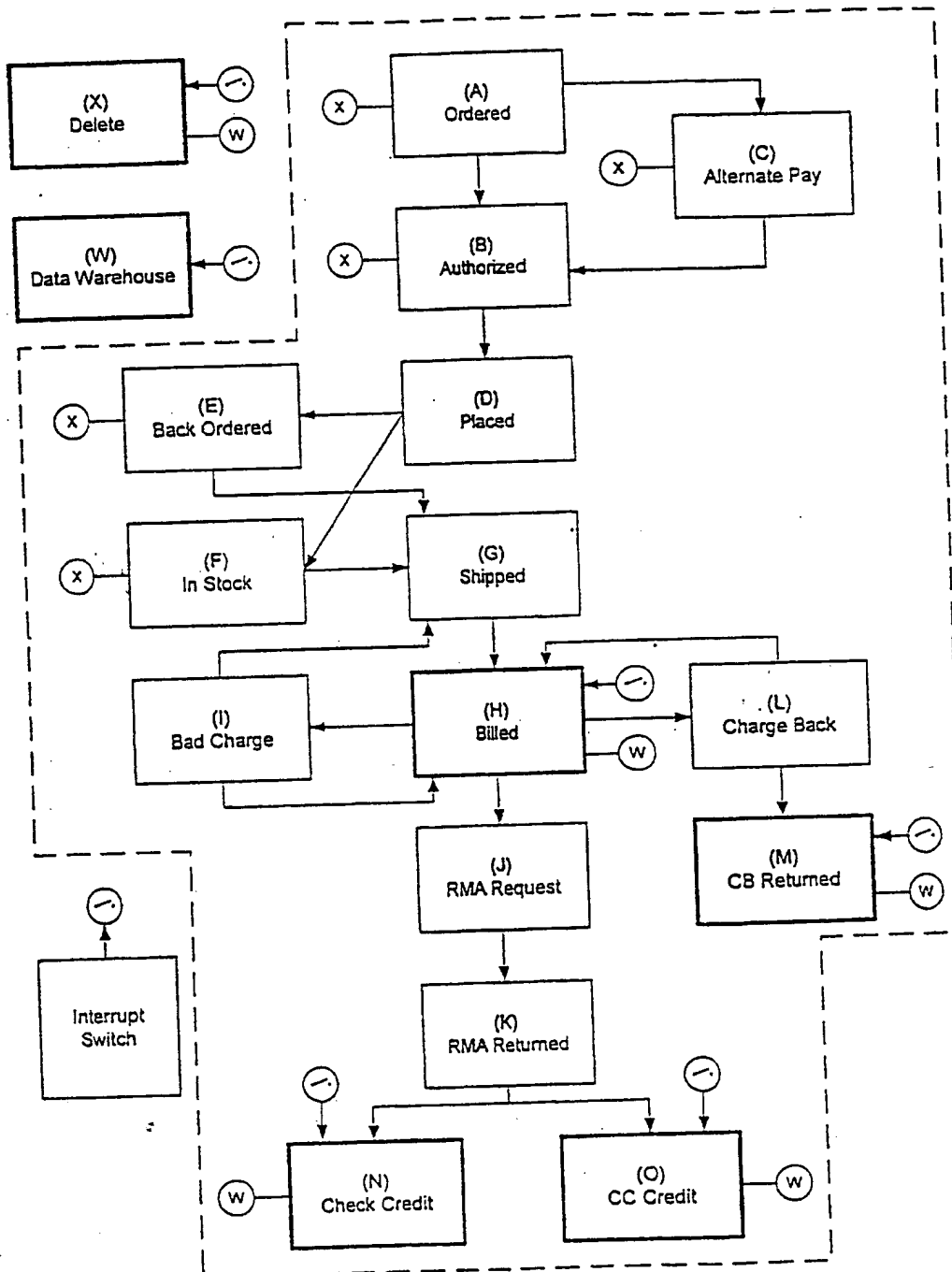


FIG. 2

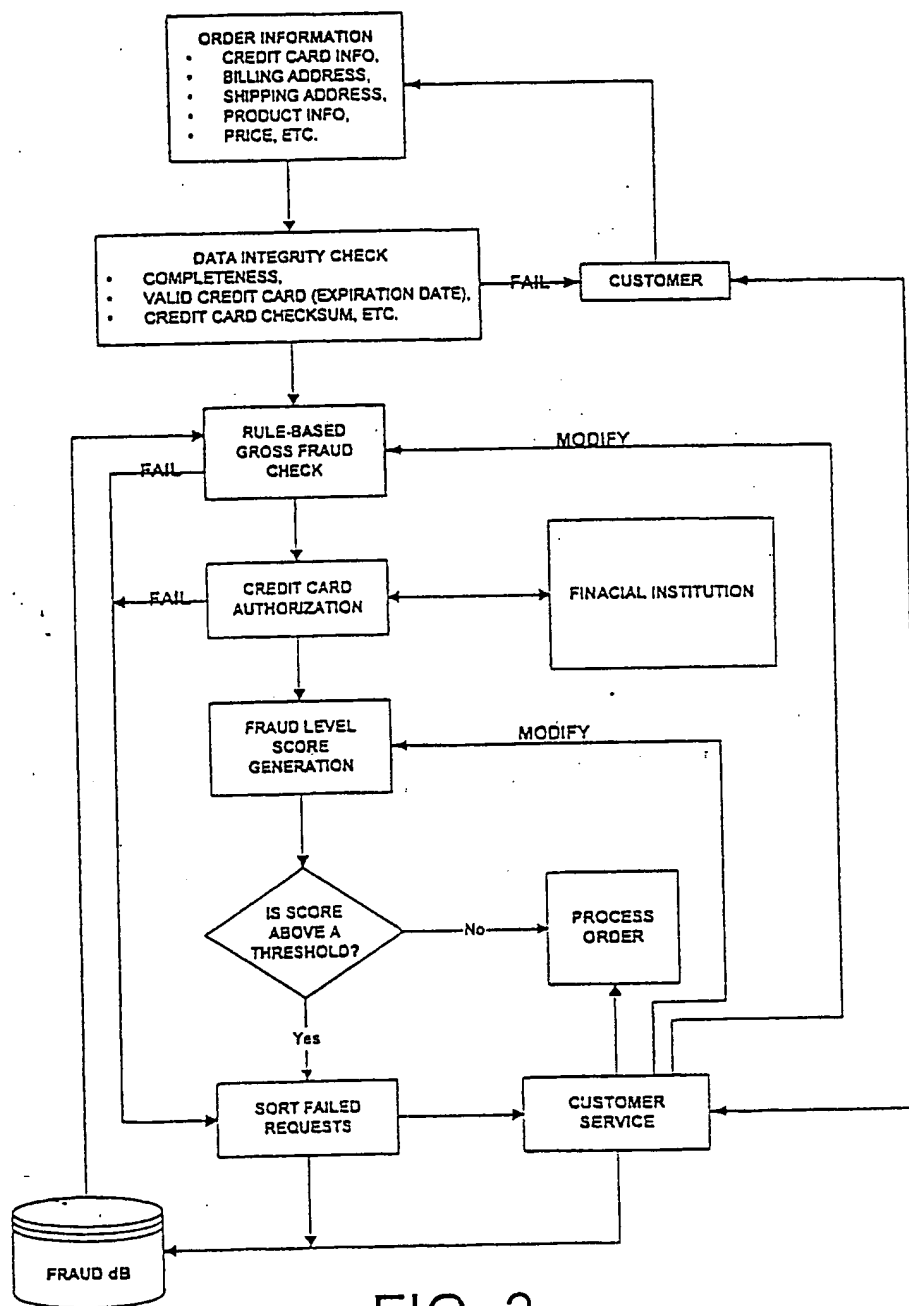


FIG. 3

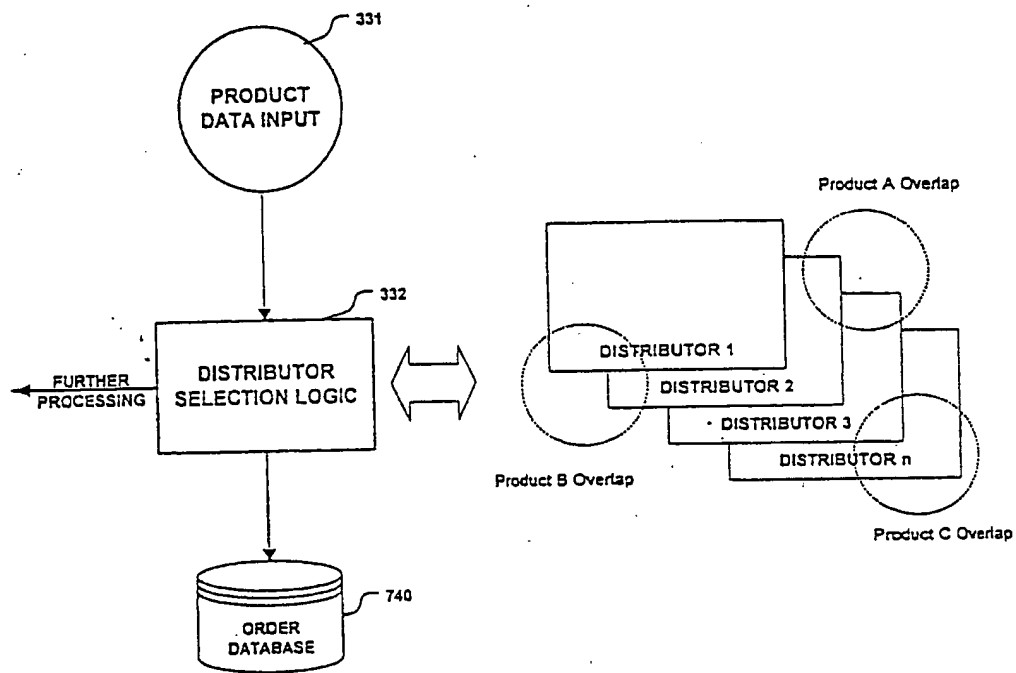


FIG. 4

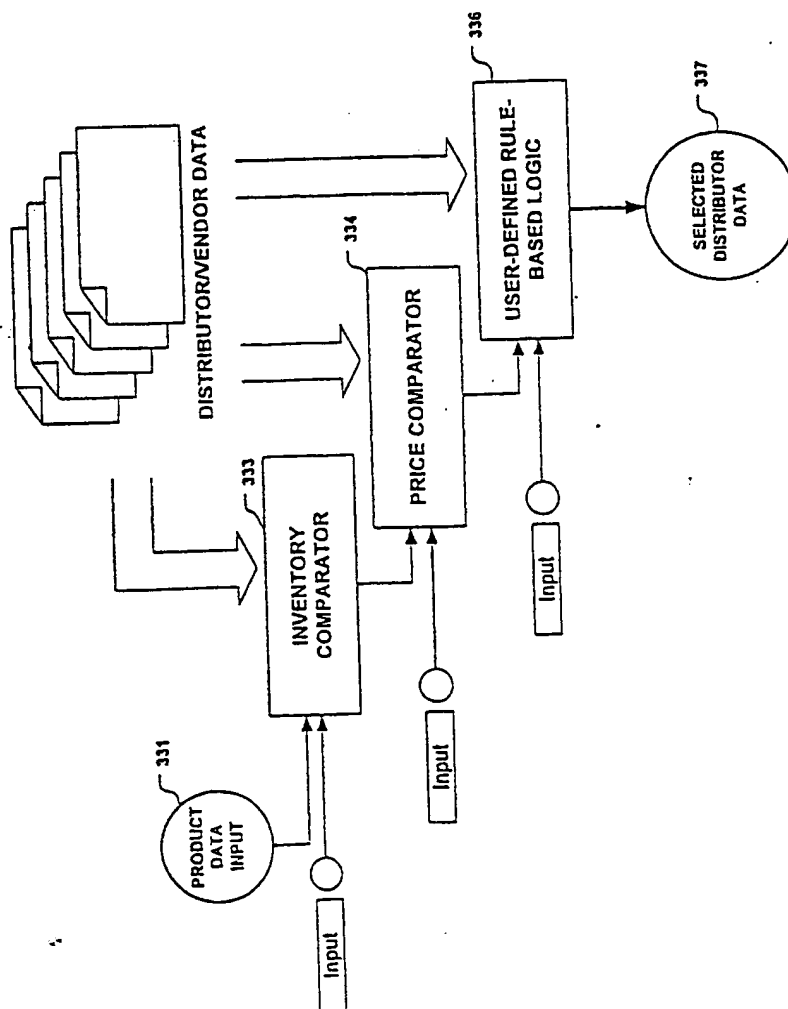


FIG. 5

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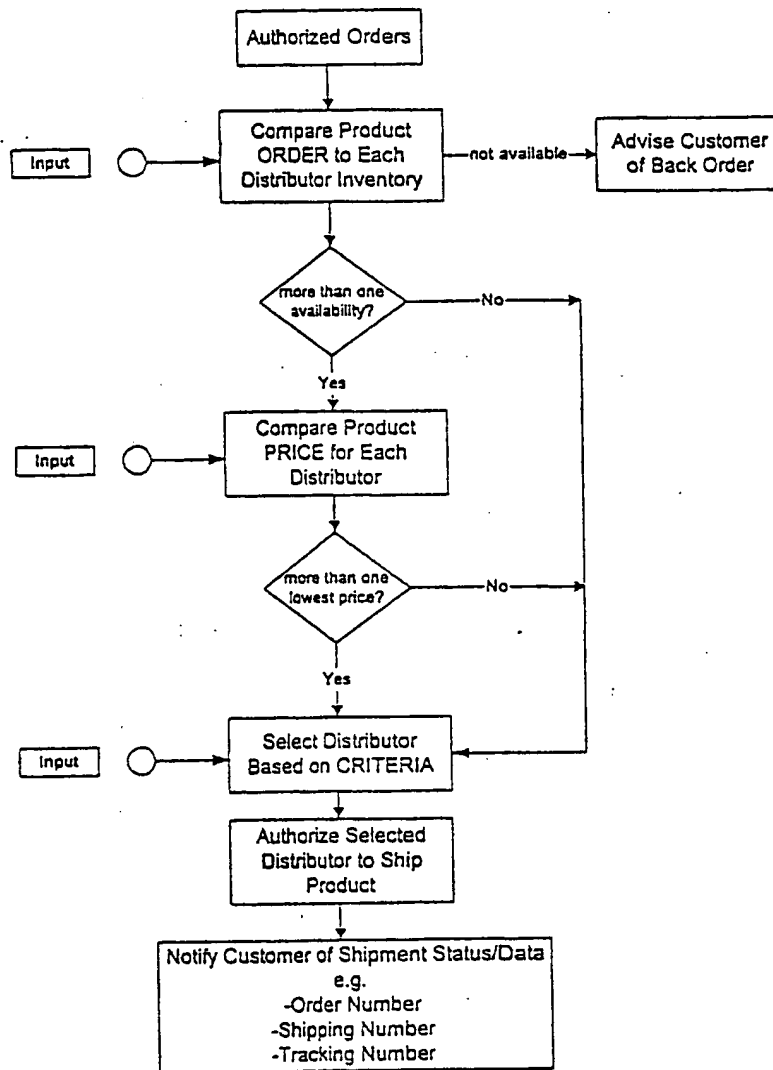


FIG. 6

# INTERNATIONAL SEARCH REPORT

International Application No  
PCT/US 99/24453

## A. CLASSIFICATION OF SUBJECT MATTER

IPC 7 G06F17/60

According to International Patent Classification (IPC) or to both national classification and IPC

## B. FIELDS SEARCHED

Minimum documentation searched (classification system followed by classification symbols)

IPC 7 G06F

Documentation searched other than minimum documentation to the extent that such documents are included in the fields searched

Electronic data base consulted during the international search (name of data base and, where practical, search terms used)

## C. DOCUMENTS CONSIDERED TO BE RELEVANT

Category *	Citation of document, with indication, where appropriate, of the relevant passages	Relevant to claim No.
A	US 5 742 931 A (KRAETZ JOSEPH ET AL) 21 April 1998 (1998-04-21) abstract; figure 1 claims 1,2,4 column 1, line 22 - line 59 column 2, line 19 - column 3, line 17	1,4
A	US 4 992 940 A (DWORKIN ROSS E) 12 February 1991 (1991-02-12) abstract; figure 1 column 1, line 13 - line 60 column 2, line 49 - column 3, line 14 claim 1	1,4
	— — — — — -/-	

☒ Further documents are listed in the continuation of box C.

☒ Patent family members are listed in annex.

### \* Special categories of cited documents:

- "A" document defining the general state of the art which is not considered to be of particular relevance
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Date of the actual completion of the international search

20 March 2000

Date of mailing of the international search report

27/03/2000

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## INTERNATIONAL SEARCH REPORT

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PCT/US 99/24453

## C.(Continuation) DOCUMENTS CONSIDERED TO BE RELEVANT

Category *	Citation of document, with indication, where appropriate, of the relevant passages	Relevant to claim No.
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E	US 6 016 504 A (DOBSON JENNIFER L ET AL) 18 January 2000 (2000-01-18) abstract; figure 1 column 4, line 1 - line 32 column 5, line 24 - line 62 column 8, line 9 - line 44 claim 1	1,4

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information on patent family members

Internal Application No

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